

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

ILLINOIS COMMERCE COMMISSION	:	
ON ITS OWN MOTION	:	00-0337
- VS -	:	00-0338
CONSUMERS ILLINOIS WATER COMPANY	:	00-0339
	:	(Consolidated)
Proposed general increase in water rates	:	

AFFIDAVIT OF STEVEN R. KNEPLER

STATE OF ILLINOIS	:	
	:	SS
COUNTY OF SANGAMON	:	

I, Steven R. Knepler, being duly sworn on oath state that I am the same Steven R. Knepler identified in the following exhibits:

ICC Staff Exhibit 2.00 (direct testimony consisting of a cover page; 16 pages of text in question-and-answer form; and Schedules 2.01 K, 2.01 V, 2.01 W, 2.02 K, 2.02 V, 2.02 W, 2.03 K, 2.03 V, 2.03 W, 2.04 K, 2.04 V, 2.05 K, 2.05 V, and 2.05 W) and

ICC Staff Exhibit 9.00 (rebuttal testimony consisting of a cover page; 16 pages of text in question-and-answer form; and Schedule 9.01 K);

that I have prepared the above exhibits and am familiar with the contents thereof; and that the above exhibits are true and correct to the best of my knowledge as of the date hereof.

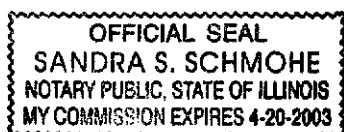
Further affiant sayeth not.



SUBSCRIBED AND SWORN to before
me this 14th day of November, 2000.



NOTARY PUBLIC



OFFICIAL FILE
ICC DOCKET NO. 00-0337-00-0339
STAFF Exhibit No. 2.0 & 9.0
Knepler
11/17/00 Reporter doc

Docket Nos. 00-0337, 00-0338, 00-0339
Consolidated
ICC Staff Exhibit 2.00

DIRECT TESTIMONY

OF

STEVEN R. KNEPLER

ACCOUNTING DEPARTMENT

FINANCIAL ANALYSIS DIVISION

ILLINOIS COMMERCE COMMISSION

CONSUMERS ILLINOIS WATER COMPANY

DOCKET NOS. 00-0337, 00-0338, 00-0339
Consolidated

AUGUST 31, 2000

1 Witness Identification

2 **Q. Please state your name and business address.**

3
4 A. My name is Steven R. Knepler. My business address is 527 East Capitol
5 Avenue, Springfield, Illinois 62701.

6
7 **Q. By whom are you employed and in what capacity?**

8
9 A. I am a Supervisor in the Accounting Department of the Financial Analysis
10 Division of the Illinois Commerce Commission ("Commission").

11
12 **Q. What is the function of the Accounting Department of the Illinois**
13 **Commerce Commission?**

14
15 A. The Department's function is to monitor the financial condition of public
16 utilities as part of the Commission's responsibilities under Article IV of the
17 Public Utilities Act ("the Act") and to provide accounting expertise on matters
18 before the Commission.

19
20 **Q. Please describe your background and professional affiliation.**

22 A. I graduated from Illinois State University with a Bachelor of Science Degree
23 in Accounting. I am a Certified Public Accountant, licensed to practice in
24 Illinois. I have been employed by the Commission since January 1982. Prior
25 to my employment, I served as an auditor for another State Agency.

26

27 Q. Have you previously testified before this Commission?

28

29 A. Yes, I have.

30

31 Q. What are your responsibilities in this case?

32

33 A. I have been assigned to this case by the Director of the Accounting
34 Department of the Illinois Commerce Commission. I am to review the filing
35 of Consumers Illinois Water Company ("CIWC" or "Company"), analyze the
36 underlying data, and propose adjustments when appropriate.

37

38 Purpose of Testimony

39 Q. What is the purpose of your testimony in this proceeding?

40

41 A. The purpose of my testimony is to present my position on some of the issues
42 in the Company's Proposed General Increase in Water Rates and to
43 propose adjustments to the Company's related test year rate base and

44 operating statement. I am sponsoring testimony regarding the following
45 areas: incentive compensation, political and lobbying expense, rate case
46 expense, social and service club membership dues, and promotional
47 advertising.

48

49 **Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 2.00?**

50

51 **A. Yes.** I am sponsoring the following schedules as part of ICC Staff Exhibit
52 2.00:

53 Schedule 2.01(K), (V), (W) Adjustment to Incentive Compensation
54 Expense

55
56 Schedule 2.02(K), (V), (W) Adjustment to Political and Lobbying
57 Expense

58
59 Schedule 2.03(K), (V), (W) Adjustment to Regulatory Commission
60 Expense

61
62 Schedule 2.04(K), (V) Adjustment to Social and Service Club
63 Membership Dues

64
65 Schedule 2.05(K), (V) (W) Adjustment to Demonstration Selling,
66 Advertising, and Miscellaneous Sales
67 Expense
68

69 **Q. Please explain the "(K)", "(V)" and "(W)" suffixes which appear in**
70 **your schedule numbers.**

71

72 A. Consumers Illinois Water Company has filed for rate increases for three
73 operating divisions: Kankakee Water Division, Vermilion County (Water)
74 Division, and Woodhaven Water Division. The "(K)" suffix identifies a
75 schedule which pertains to the Kankakee Water Division. The "(V)" suffix
76 identifies a schedule which pertains to the Vermilion County Division. The
77 "(W)" suffix identifies a schedule which pertains to the Woodhaven Water
78 Division.

79

80 Incentive Compensation

81 Q. Please describe Schedules 2.01 (K), (V), and (W), Adjustment to
82 Incentive Compensation Expense.

83

84 A. Schedules 2.01 (K), (V), and (W) set forth my adjustments to both the
85 expensed and capitalized portions of Incentive Compensation for Kankakee,
86 Vermilion, and Woodhaven Divisions. In response to Staff Data Request
87 WH/ALL-003, the Company states:

88 The Company budgets for incentive compensation with the
89 assumption of achieving 100% of the targets.

90

91 However, as illustrated on page 3 of Schedule 2.01, over the last 3 years, the
92 Company averaged only 93.44% of budgeted Incentive Compensation
93 actually paid out as a result of achieving targeted goals. My adjustment
94 reduces the amounts for Incentive Compensation to reflect the prior history of

95 attaining the goals set by the Company for payment of the bonus. If the
96 incentive amounts are forfeited because of non-attainment of specified
97 goals, the amounts would go to the shareholders because the proposed
98 costs would continue to be recovered in rates, whether or not the goals are
99 met. The average 93.44% "goals met" realized over the last three years
100 would be more indicative of the success rate of the goals that will be met
101 rather than the 100% success rate projected by the Company. Therefore, I
102 am proposing that 93.44% of the Company's budgeted incentive
103 compensation be included in test year expense. The details of my
104 adjustments are shown on Schedules 2.01(K), (V) and (W).

105
106 Political and Lobbying Expense

107 **Q. Please describe Schedules 2.02(K), (V) and (W), Adjustment to**
108 **Political and Lobbying Expense.**

109
110 **A. Schedules 2.02(K), (V) and (W) identify specific political contributions and/or**
111 lobbying expenses which are charged to the (Illinois) CIWC Corporate cost
112 center and allocated to the divisions through the expense "Contractual
113 Services - Management." Such lobbying and/or political expenses are
114 specifically excluded in Section 9-224 of the Public Utilities Act for the
115 purpose of determining any rate or charge. Schedules 2.02(K), (V), and (W)
116 eliminate political and lobbying expense from the test year.

117 Rate Case Expense

118 **Q. Please describe the Company proposed recovery of rate case**
119 **expense.**

120

121 A. The Company's rate case expense recovery proposal consists of three
122 components. First, the Company is proposing to recover expenses related
123 to the preparation of the current case. Second, for the Kankakee and
124 Vermilion Divisions, the Company is requesting that it be allowed to recover
125 rate case expense not fully recovered from prior rate cases. Third, the
126 Company is requesting Commission approval to retroactively recover a
127 portion of rate case expense related to a water rate case for the Candlewick
128 Division (Consumers Illinois Water Company, Docket No. 99-0288, Order
129 Date March 1, 2000). Additionally, the Company is proposing an 18-month
130 amortization period for the Kankakee Division and 3-year amortization
131 periods for the Vermilion and Woodhaven Divisions.

132

133 **Q. Which components of the Company rate expense proposal are**
134 **appropriate for recovery?**

135

136 A. Only expenses related to the current rate case and any unrecovered or
137 unamortized rate case expense previously approved by the Commission are
138 appropriate for recovery. In other words, components 1 and 2 above are

139 appropriate, but the expense related to the most recent Candlewick water
140 rate case (Docket No. 99-0288) is not because it is not a test year expense.
141 The test year is a measure of operations and investment for a specific
142 twelve-month period. The test year in this proceeding is the forecasted year
143 2001. None of the expense related to Docket 99-0288 will be incurred in
144 2001.¹ Under the test year rules, the Company would be permitted to include
145 in the 2001 test year, revenues and expenses which will be incurred in 2001.
146 However, in this proceeding the Company is not only requesting recovery of
147 expenses to be incurred in the 2001 test year, but also those related to
148 another test year (2000), and to a Division which is not part of this
149 proceeding. If the Company is allowed recovery of an expense related to
150 prior periods, the result is a distorted test year (i.e., the recovery of expenses
151 from two test years). The Company has chosen the test year projected
152 revenues and expenses related to 2001. Clearly, the Company's proposal is
153 a test year violation and should be denied.

154
155 **Q. Besides being a test year violation are there other reasons why the**
156 **Company should not be allowed recovery of the rate case expense**
157 **incurred in 99-0288?**
158

¹ Consumers Illinois Water Company selected a 2000 future test year in Docket No. 99-0288.

159 A. The Company did not, in Docket No. 99-0288, receive permission to defer
160 and recover from other divisions, expenses related to the most recent
161 Candlewick rate case. The Uniform System of Accounts (USOA) states that
162 Account 186 is used to record amounts authorized by the Commission:

163 Account 186, Miscellaneous Deferred Debits
164 This account shall include all debits not elsewhere provided for, such
165 as miscellaneous work in process, losses on disposal of property net
166 of income taxes, **deferred by authorization of the Commission,**
167 **unusual or extraordinary expenses and regulatory assets resulting**
168 **from rate making actions, not included in other accounts, which are in**
169 **the process of amortization, and items the proper final dispositions of**
170 **which is uncertain (USOA, Account 186, emphasis added).**
171

172 The Company's use of Account 186 to record cost in anticipation of
173 Commission approval is improper. Account 186 is to be used only for those
174 amounts authorized by the Commission.

175

176 Q. The Company is claiming that the software development cost from
177 Docket No. 99-0288 is appropriate for recovery in this proceeding.
178 What were the relevant conditions surrounding Docket No. 99-0288?

179

180 A. The conditions surrounding the presentation of Docket No. 99-0288 are as
181 follows:

182 1). The Company had lost the services of an accountant with more
183 that 20-years of experience who had participated in numerous
184 rate cases.
185

- 186 2). The main accounting witness had been with the Company for
187 approximately one year and had no prior utility accounting or
188 rate case experience.
189
- 190 3). The Candlewick ratepayers were opposed to the rate
191 increase, and had made several complaints to their State
192 representative regarding the proposed rate increase. In fact,
193 Staff attended at least one meeting regarding the rate increase
194 in the representative's office in Rockford, Illinois.
195
- 196 4). The Company had originally planned to file a rate increase for
197 three, and possibly as many as four divisions. The filing made
198 in Docket No. 99-0288 was only for the Candlewick Water
199 Division, one of the Company's smaller divisions, consisting of
200 approximately 2,500 customers.
201
- 202 5). The Company's cost of preparing the case was overbudget.
203 The Company spent \$430,612 on a rate case involving 2,500
204 customers or approximately \$172 per customer. The
205 Company had originally budgeted \$300,000. The Company
206 was overbudget in all categories of rate case expense except
207 one (cost of service study). By contrast, Docket No. 97-0351,
208 one of Company's last rate cases using a historical test
209 involving 5 divisions and approximately 45,171 customers,
210 cost \$585,000 or approximately \$13 per customer.
211
- 212 6). The Company did not have a contract with SPI Energy Group
213 to develop software and did not engage SPI to develop
214 software. SPI was engaged to assist with the filing
215 requirements for a forecasted test year.
216
- 217 7). The work product that SPI provided is not software in the
218 traditional meaning. SPI did not write any original software
219 code in a software language such as cobol, fortran or C++.
220 SPI did develop spreadsheet templates or files for which the
221 two principals of SPI were paid \$195 per hour. All the
222 requirements for these schedules are stated in the filing
223 requirements.
224
- 225 8). The \$430,612 of rate case expense Consumers incurred for
226 99-0288 was more than the revenues at present rates for the
227 Candlewick Water Division (\$391,488).
228

229 9.) Of the \$116,366 in deferred rate case expense, 57% or
230 \$66,621 is attributable to legal fees, not software-program
231 development expenses.
232

233 **Q. What was the Company's originally rate case expense projection for**
234 **Docket No. 99-0288 and what was the final cost?**

235
236 **A. The Company had originally budgeted, \$300,000 for Docket No. 99-0288, a**
237 **rate case for one division consisting of approximately 2,500 customers.**
238 **Staff proposed limiting rate case expense to \$200,000. In total the Company**
239 **stated that it spent \$430,612. Of the \$430,612, Order 99-0288 permitted the**
240 **Company to recover \$314,246. The recovery of the remaining \$116,366 is**
241 **in dispute, a portion of which the Company is proposing to allocate to the**
242 **Kankakee, Vermilion and Woodhaven ratepayers and recover as the third**
243 **component of rate case expense in this proceeding. Furthermore, if a**
244 **settlement could have been agreed to in Docket No. 99-0288, the Company**
245 **had offered to limit rate case expense to \$200,000. By contrast, in Docket**
246 **No. 97-0351, a rate case involving 5 divisions and approximately 45,171**
247 **customers, the Company requested \$585,000 for rate expense. In the**
248 **instant case the Company is projecting rate case expense of \$339,876 for 3**
249 **divisions consisting of 44,468 customers.**

250

251 Q. When did the Company disclose that a portion of the rate case
252 expense incurred in Docket No. 99-0288 was for the development of
253 computer software?

254

255 A. The Company in rebuttal first disclosed that part of the expenses incurred in
256 Docket No. 99-0288 were for the development of software. The Company
257 claimed that the software would benefit other divisions in meeting future test
258 year requirements. Furthermore, according to the Company, "it was
259 necessary to develop an **entirely new** set of filing schedules, presented in a
260 different format, and containing substantially more information than the
261 schedules which had been required in past rate cases involving the standard
262 filing requirements in 83 Ill. Admin. Code 285 (the "Old Filing
263 Requirements")." (Order 99-0288, p.17, **emphasis added**)

264

265 The Company failed to mention that it is a major water utility that has been in
266 existence over 100 years (established 1886), it is part of a larger corporation
267 operating in several states and that the stock of its parent company is traded
268 on the New York Stock Exchange. A company with these resources should
269 have been able to present a rate case without relying on outside consultants
270 to the extent that CIWC did in Docket No. 99-0288. The Company's
271 statements lead one to believe that it could not modify the existing schedules
272 (used in rate case filings), that it had never filed a rate case, or at least one

273 using a future test year, and that the proposed 285 filing required a overhaul
274 of the Company's computer and budgeting process. However, the
275 schedules filed by the Company in this proceeding appear strikingly similar
276 to those filed in Docket No. 97-0351.

277

278 **Q. Do you consider the Company's "software development argument"**
279 **plausible?**

280

281 **A.** No. I believe the Company did not have a sufficient number of experienced
282 personnel to prepare and present a rate case, which caused the Company to
283 rely on outside consultants and eventually resulted in rate case costs
284 overruns. First, the determination of the \$116,366 deferred amount appears
285 to be arbitrary. As SPI was the consultant hired to develop software for the
286 Candlewick Division, presumably the deferred amount should be the
287 difference between the original budget amount (\$38,503) and its final amount
288 billed to Consumers for SPI's service (\$84,741), or \$46,238. Second, the
289 Company's curiously chose not to disclose that SPI was developing software
290 until the rebuttal stage of the proceeding. Third, the Company failed to
291 provide a copy of the contract and other supporting documentation to verify
292 the cost of the "software" as the Candlewick record indicates.

293 Mr. Weging: Q. [For Commission Staff] I believe you have in
294 your hand what is the company's response to
295 staff data request TEM-030 and that requested

296 that all engagement letters, contracts, billings
297 and other supporting documents be provided to
298 Staff
299

300 Mr. Leppert A. [For the Company] Yes.

301
302 Mr. Weging Q. Taking a look at that, isn't it true that no
303 documentation was provided in relationship to
304 the SPI energy group?
305

306 Mr. Leppert A. Yes, we had no contracts, written contract with
307 SPI.
308 (Docket No. 99-0288, Tr. at 241).
309

310 For all of the above reasons I am adjusting the Company's rate case
311 expense proposal to exclude costs from Docket No. 99-0288.
312

313 Q. Are you making any other adjustment to the Company's proposed
314 recovery of rate case expense?
315

316 A. Yes. I am proposing different amortization periods for the Kankakee and
317 Woodhaven Divisions. The Company is proposing a 1.5 year (18-month)
318 amortization period for the Kankakee Division. I am proposing a 3-year
319 amortization period based on average time interval between its two most
320 recent rate orders (Docket No. 95-0342, Order Date May 8, 1996 and
321 Docket No. 97-0351, Order Date June 3, 1998) and the expected Order
322 Date in this proceeding. The life of these two rate cases span approximately
323 4 years and 10 months, or approximately 2.5 years on average. Accordingly,

324 I consider a 3-year amortization period for the Kankakee Division
325 appropriate and reasonable.

326

327 For the Woodhaven, I am proposing a 4-year amortization period based on
328 the approximate 4-year, 4.5-month interval between the last rate order
329 (Docket No. 95-0641, Order Date October 23, 1996) and the expected
330 Order Date in this proceeding.

331

332 **Q. Please describe Schedule 2.03, Adjustment to Regulatory**
333 **Commission Expense.**

334

335 A. Schedules 2.03(K), (V), and (W) show the details of my two adjustments to
336 the Company's rate case expense proposal. First, is the adjustment to
337 eliminate costs from Docket 99-0288. This adjustment reduces rate case
338 expense for all three divisions. The next adjustment increases the
339 amortization period for the Kankakee Division from the 1.5 years proposed
340 by the Company to three years; and from three years to four years for the
341 Woodhaven Division.

342 Social and Service Club Dues

343 **Q. Please explain Schedule 2.04, Adjustment to Social and Service Club**
344 **Membership Dues.**

345

346 A. I am proposing that social and service club dues that do not directly benefit
347 ratepayers be denied for rate making purposes. The details of the
348 adjustments for the Kankakee and Vermilion Divisions are shown on
349 Schedules 2.04(K) and 2.04(V) respectively.

350

351 Promotional Advertising

352 **Q. Please describe your Schedule 2.05, Adjustment to Demonstration**
353 **Selling, Advertising, and Miscellaneous Sales Expense.**

354

355 A. Schedules 2.05(K), (V) and (W) show my adjustments to advertising expense
356 for the advertising expenses that are permissible under Section 9-225 of the
357 Illinois Public Utilities Act ("Act"). The Company submitted details of its
358 proposed 2000 advertising expense in its business plan for the Kankakee
359 Division. This portion of the business plan reveals that certain advertising
360 expenses are either promotional or goodwill in nature and are not permitted
361 under the Act. From the business plan I developed a ratio of the advertising
362 expenses that are not allowed under the Act to the total 2000 advertising
363 expenses. I then applied this percentage to the total of the projected 2001
364 test year advertising expense to determine my adjustment for the Kankakee
365 Division. For the Vermilion and Woodhaven Divisions, I applied the
366 disallowance from the Kankakee Division to the 2001 test year projections in

367 order to determine my adjustments. The details of these adjustments are
368 shown on Schedules 2.05(K), (V) and (W).

369

370 Conclusion

371 **Q. Does this conclude your prepared direct testimony?**

372

373 **A. Yes, it does.**

Consumers Illinois Water Company-Kankakee Division
Incentive Compensation Expense Adjustment
For the Test year Ended December 31, 2001

Line No.	Description (A)	Amount (B)	Source (C)
1	Incentive Compensation Award per Staff	\$ 70,972	Staff Exhibit 2.0, Schedule 2.01 (K), Page 2, Line 10
2	Incentive Compensation Award per Company	75,954	Staff Exhibit 2.0, Schedule 2.01 (K), Page 2, Line 6
3	Staff Adjustment to Incentive Compensation Award	<u>\$ (4,982)</u>	Line 1- Line 2
4			
5	Percentage Capitalized	9.42%	Company Schedule C-11.8, Page 2, Col. (J)
6			
7	Staff Adjustment to Utility Plant in Service	<u>\$ (469)</u>	Line 3 x Line 5
8			
9	Percentage Expensed	90.58%	Company Schedule C-11.8, Page 2, Col. (L)
10			
11	Staff Adjustment to Employee Benefits	<u>\$ (4,513)</u>	Line 3 x Line 9

Consumers Illinois Water Company-Kankakee Division
Incentive Compensation Expense Adjustment
For the Test year Ended December 31, 2001

Line No.	Description (A)	Amount (B)	Source (C)
1	Corporate Incentive Compensation Award	\$ 35,664	Provided by Company during June fieldwork
2	Allocation Factor %	42.29%	Company WP-A5 Page 3, Line 2
3	Amount Allocated to Kankakee	15,082	Line 1 x Line 2
4			
5	Kankakee Incentive Compensation Award	60,872	Provided by Company during June fieldwork
6	Total Incentive Compensation Budgeted	75,954	Line 3 + Line 5
7			
8	Average Historical Budget Expended	93.44%	Staff Exhibit 2.0, Schedule 2.01 (K), Page 3, Line 13
9			
10	Adjusted Incentive Compensation Award	<u>\$ 70,972</u>	Line 6 x Line 8

Consumers Illinois Water Company-Kankakee Division
Incentive Compensation Expense Adjustment
For the Test year Ended December 31, 2001

Line No.	Description (A)	Amount (B)	Source (C)
1	Incentive Compensation Paid:		
2	1997	\$ 130,282	1
3	1998	153,672	1
4	1999	168,298	1
5	Total 3 year expense	<u>\$ 452,252</u>	Sum of Lines 2, 3, and 4
6			
7	Incentive Compensation Budgeted:		
8	1997	\$ 152,000	2
9	1998	170,000	2
10	1999	162,000	2
11	Total 3 year budget	<u>\$ 484,000</u>	Sum of Lines 8, 9, and 10
12			
13	Average Historical Budget Expended	<u>93.44%</u>	Line 5 divided by line 11

Source 1: Company Response to Staff Data Request WH/ALL-002
Source 2: Company Response to Staff Data Request WH/ALL-003

CONSUMERS ILLINOIS WATER COMPANY - KANKAKEE DIVISION
Adjustment to Political and Lobbying Expense
For The Test Year Ended December 31, 2001

Account No. 675 - Miscellaneous Expense

Line	Description (A)	Per Company (B)	Per Staff (C)	Staff Adjustment (D)
1.	James "Pate" Phillip Campaign	\$ 2,000	\$0	\$ (2,000)
2.	Friends of Lee Daniels Campaign	2,000	0	(2,000)
3.	Citizens for Emil Jones	2,000	0	(2,000)
4.	Citizens for Phil Novak	1,050	0	(1,050)
5.	Citizens for Rauchenberger	1,500	0	(1,500)
6.	M. Madigan	3,000	0	(3,000)
7.	Items Under \$1,000	<u>13,800</u>	<u>0</u>	<u>(13,800)</u>
8.	Company Total	\$ 25,350	\$ -	\$ (25,350)
9.	Division Allocation Factor	<u>40.8598%</u>	<u>40.8598%</u>	<u>40.8598%</u>
10.	Total Test Year Political and Lobbying Expense	<u>\$ 10,358</u>	<u>\$ -</u>	<u>\$ (10,358)</u>

Sources:

Lines 1-8: CIWC's 285 Filing, Schedule C-9, Page 1
Line 9: CIWC's Response to DR WH/K-007.
Line 10: Line 8 x Line 9.

CONSUMERS ILLINOIS WATER COMPANY - KANKAKEE DIVISION
Adjustment to Regulatory Commission Expense
For Test Year Ended December 31, 2001

<u>Line</u>	<u>Description</u> (A)	<u>Per</u> <u>Company</u> (B)	<u>Per</u> <u>Staff</u> (C)	<u>Staff</u> <u>Adjustment</u> (D)
1.	Current Rate Case Expenses (Docket No. 00-0337)	\$ 155,130	\$ 155,130	\$ -
2.	Amortization of Prior Kankakee Division Rate Case Expense from Docket Nos. 95-0342 & 97-0351	34,164	\$ 34,164	-
3.	Allocation from Candlewick Water Rate Case Docket 99-0288	<u>39,206</u>	<u>0</u>	<u>(39,206)</u>
4.	Total Rate Case Cost to be Amortized	\$ 228,500	\$ 189,294	\$ (39,206)
5.	Amortization Period in Years	<u>1.5</u>	<u>3.0</u>	<u>N/A</u>
6.	Annual Rate Case Amortization Expense	<u>\$ 152,333</u>	<u>\$ 63,098</u>	<u>\$ (89,235)</u>

Sources:

Column (B): CIWC's 285 Filing, Schedule C-2.2.

Line 4: CIWC's Response to DR WH/ALL-07 and WH/ALL-006(b).

CONSUMERS ILLINOIS WATER COMPANY - KANKAKEE DIVISION
Adjustment to Social and Service Club Membership Dues
For Test Year Ended December 31, 2001

Account No. 675 - Miscellaneous Expense

<u>Line</u>	<u>Description</u> (A)	<u>Amount</u> (B)
1.	<u>Kankakee Country Club:</u>	
2.	Staff Amount	\$0
3.	Less: Company Amount	<u>\$ (3,045)</u>
4.	Staff Adjustment	<u><u>\$ (3,045)</u></u>

Sources:

Line 2: Public Utilities Act, Section 9-224.

Line 3: CIWC's 285 Filing, Schedule C-6, Page 2.

Line 4: Line 2 - Line 3.

CONSUMERS ILLINOIS WATER COMPANY - KANKAKEE DIVISION
Adjustment to Demonstration Selling, Advertising, and Miscellaneous Sales Expense
For Test Year Ended December 31, 2001

Line	Description (A)	Amount (B)
	<u>Account 660. Advertising Expenses:</u>	
1.	Total Test Year Advertising Expense	\$ 27,412
2.	Percent Disallowed (Line 28)	-34.09%
3.	Staff Adjustment	\$ (9,344)
4.	<u>Computation of Disallowed Percentage:</u>	
5.	2000 Advertising Budget	
		Promotional Amount
		Total Amount
6.	The Harold	\$ 3,000.00
7.	Daily Journal	8,000
8.	City News	3,600
9.	WKAN	2,000
10.	WWIL	2,000
11.	KAT.5	1,000
12.	Home Improvement	500
13.	Home Show	1,200
14.	Mall Expo	500
15.	Kankakee Community College	1,000
16.	Misc. (Mugs, Bottles, etc.)	\$ 8,000
17.	Elks Pony League (sponsor)	250
18.	Bourbannais Soccer (ad)	100
19.	Kankakee High School	50
20.	Lion's Little League (ad)	60
21.	Sponsor Little League Team	225
22.	Kankakee Valley Colt League	450
23.	Little League All Stars	70
24.	Estimated 4th Quarter	2,000
25.	Miscellaneous Advertising	8,000
26.	Budget Reduction	(15,000)
27.	Total 2000 Advertising	\$ 9,205.00
28.	Promotional Percent	\$ 9,205.00 = 34.09%
29.		\$ 27,005.00

Sources:

Lines 6-27: Company Advertising Expense Workpaper,
Advertising Expense - #660, For the 2000 Business Plan.
Line 1: Company 285 Filing, Schedule C-8.

Consumers Illinois Water Company-Vermillion Division
Incentive Compensation Expense Adjustment
For the Test year Ended December 31, 2001

Line No.	Description (A)	Amount (B)	Source (C)
1	Incentive Compensation Award per Staff	\$ 56,465	Staff Exhibit 2.0, Schedule 2.01 (V), Page 2, Line 10
2	Incentive Compensation Award per Company	60,429	Staff Exhibit 2.0, Schedule 2.01 (V), Page 2, Line 6
3	Staff Adjustment to Incentive Compensation Award	<u>\$ (3,964)</u>	Line 1 - Line 2
4			
5	Percentage Capitalized	11.80%	Company Schedule C-11.8, Page 2, Col. (J)
6			
7	Staff Adjustment to Utility Plant in Service	<u>\$ (468)</u>	Line 3 x Line 5
8			
9	Percentage Expensed	88.20%	Company Schedule C-11.8, Page 2, Col. (L)
10			
11	Staff Adjustment to Employee Benefits	<u><u>\$ (3,496)</u></u>	Line 3 x Line 9

Consumers Illinois Water Company-Vermillion Division
Incentive Compensation Expense Adjustment
For the Test year Ended December 31, 2001

Line No.	Description (A)	Amount (B)	Source (C)
1	Corporate Incentive Compensation Award	\$ 35,664	Provided by Company during June fieldwork
2	Allocation Factor %	33.81%	Company WP-A5 Page 3, Line 18
3	Amount Allocated to Vermillion	12,058	Line 1 x Line 2
4			
5	Vermillion Incentive Compensation Award	48,371	Provided by Company during June fieldwork
6	Total Incentive Compensation Budgeted	60,429	Line 3 + Line 5
7			
8	Average Historical Budget Expended	93.44%	Staff Exhibit 2.0, Schedule 2.01 (V), Page 3, Line 13
9			
10	Adjusted Incentive Compensation Award	<u>\$ 56,465</u>	Line 6 x Line 8

Consumers Illinois Water Company-Vermillion Division
Incentive Compensation Expense Adjustment
For the Test year Ended December 31, 2001

Line No.	Description (A)	Amount (B)	Source (C)
1	Incentive Compensation Paid:		
2	1997	\$ 130,282	1
3	1998	153,672	1
4	1999	168,298	1
5	Total 3 year expense	<u>\$ 452,252</u>	Sum of Lines 2, 3, and 4
6			
7	Incentive Compensation Budgeted:		
8	1997	\$ 152,000	2
9	1998	170,000	2
10	1999	162,000	2
11	Total 3 year budget	<u>\$ 484,000</u>	Sum of Lines 8, 9, and 10
12			
13	Average Historical Budget Expended	<u>93.44%</u>	Line 5 divided by line 11

Source 1: Company Response to Staff Data Request WH/ALL-002
Source 2: Company Response to Staff Data Request WH/ALL-003